

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 58th LEGISLATURE - REGULAR SESSION

JOINT APPROPRIATIONS SUBCOMMITTEE ON NATURAL RESOURCES AND COMMERCE

Call to Order: By **CHAIRMAN JEFF PATTISON**, on January 9, 2003 at
8 A.M., in Room 317-C Capitol.

ROLL CALL

Members Present:

Rep. Jeff Pattison, Chairman (R)
Sen. Bill Tash, Vice Chairman (R)
Sen. Edward Butcher (R)
Rep. John Musgrove (D)
Sen. Linda Nelson (D)
Rep. Rick Ripley (R)
Sen. Debbie Shea (D)

Members Excused: None.

Members Absent: None.

Staff Present: Elaine Olsen, Committee Secretary
Doug Schmitz, OBPP
Todd Younkin, Legislative Branch

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed. The
time stamp for these minutes appears at the beginning of the
content to which they refer.

Committee Business Summary:

Hearing(s) & Date(s) Posted: Department of Livestock
Executive Action: None

{Tape: 1; Side: A; Approx. Time Counter: 1 - 10}

Marc Bridges, Executive Officer for the Board of Livestock, introduced himself, and Bob Lee, Chairman of the Board of Livestock and other interested parties.

George Harris, Administrator of Centralized Services, Department of Livestock (DOL), stated the Board's budget was very conservative. Most fixed costs items are consolidated in the Centralized Services Division budget. The Brands Enforcement Division is the largest and has very little General Fund. The Diagnostic Laboratory, located in Bozeman, is funded primarily by General Fund. The current General Fund level is \$99,000, down from \$190,000 in FY02 Budget. The Board is looking at a fee structure for the Diagnostic Lab. The Meat Inspection Bureau receives 50 percent General Fund with a 50 percent federal match.

Todd Younkin, Legislative Fiscal Division (LFD), introduced the major highlights of the Department budget, stating that all General Fund was removed the Centralized Services Division and that there is a decrease in the General Fund for the Diagnostic Laboratory. The Centralized Services program includes six decision packages (DP) which are all present law adjustments.

{Tape: 1; Side: A; Approx. Time Counter: 10 - 17}

CHAIRMAN PATTISON asked the Department for an update on the funding for the Predator Control Program. **Marc Bridges** said there is \$445,000 in the Predator Control program to keep the Department in agreement with United States Department of Agriculture Wildlife Services (USDA). They meet with Montana Fish Wildlife and Parks (FWP) and with Wildlife Services on a yearly basis. With the increased amount of wildlife, the number of hours flown for predator control for FWP has decreased. This has increased the fiscal pressure on county programs for predator control. The Department and Board supplements the air patrol program for five independent counties at the rate of \$8,500 each.

CHAIRMAN PATTISON sought clarification on why FWP does not fly predator control in areas where game populations are up. **Marc Bridges** responded that in some cases if hours were reduced in some areas, flight time might be increased in other areas. Overall, predator control flight time was down statewide.

{Tape: 1; Side: A; Approx. Time Counter: 17 - 24}

SEN. BUTCHER asked if the cyanide program was tied into the "chopper program." **Marc Bridges** stated that the Environmental Protection Agency(EPA) outlawed the use of cyanide.

SEN. BUTCHER asked about the accountability of the kills reported. **Marc Bridges** stated that it is not economically feasible for the helicopter to land to retrieve the pelts to confirm the kill.

George Harris commented that in DP6 the request for computer replacement is according to the state replacement schedule and is for two large servers. DP11 is for the Board of Livestock, the Board of Horse Racing and the Board of Milk Control. The number of computers on the replacement cycle has been reduced, resulting in a reduction in DP12 of \$56,000 per year. The Board of Horse Racing had to move, and the DP indicates an increase in rent. An increase in hotel/motel rates created a need for an increase of \$2,400 for housing during the summer peak season.

{Tape: 1; Side: A; Approx. Time Counter: 24 - 30}

CHAIRMAN PATTISON, referencing DP11, asked about the projected number of meetings. **Sam Murfitt, Executive Secretary of the Board of Horse Racing**, responded that the Board is a twelve-month-a-year operation. Meetings are held throughout the year.

CHAIRMAN PATTISON inquired about the need for and the timing of meetings. **Sam Murfitt** replied that the meetings are held at regular intervals.

SEN. BUTCHER inquired if the Board considered teleconferencing. **Sam Murfitt** replied that in some cases the Board has to meet face-to-face.

SEN. NELSON, noting the funding for the Board of Horse Racing was state special funds, inquired if the monies came from the Horse Racing. **Sam Murfitt** replied that the Board received no General Funds. The current budget package is approximately \$100,000 less than in the past, and expenditures depend on how much money is actually brought in.

Todd Younkin introduced the two decision packages for the Diagnostic Laboratory. Contained within DP15, the main lab equipment and operating proposal, is the \$10,000 annual decrease in General Fund shown in the executive budget. **Todd Younkin** noted that when he did his analysis of the DP, he did not have the figures for possible increased fees for the lab and the projected revenue.

Doug Schmitz, Office of Budget and Public Planning (OBPP), stated the Board has tried to address the General Fund shortfall through fee structures. The Board has fee setting authority of their own at the Diagnostic Lab. He noted that only two areas of the budget contain General Fund.

Bob Lee, Chairman of the Board of Livestock, stated the new proposed fees would be reviewed by the Board next week. Some services may have to be dropped.

{Tape: 1; Side: B; Approx. Time Counter: 1 - 8}

Todd Younkin stated the brucellosis management programs were funded as one time only last session. They should have been brought forward as new proposals. The entire amount of the program is shown; it is not an increase.

CHAIRMAN PATTISON asked if the amount for this program was missing from the Governor's Budget base proposal. **Todd Younkin** replied that programs approved as one-time-only expenditures are pulled out of the base. To continue that program they have to ask for full funding again in a DP.

CHAIRMAN PATTISON asked **Director Bridges** the status of the brucellosis program. **Director Bridges** stated the Department mediated an agreement with three federal agencies in federal court. Montana continues to receive money to deal with the Yellowstone bison issue from the federal government through the efforts of the Montana congressional delegation. The bison population continues to increase. Wyoming and Idaho are also involved in the management program.

CHAIRMAN PATTISON asked **Director Bridges** ideally what would it take to get a grip on this issue. **Director Bridges** replied that a traditional eradication program would be the most expedient manner to resolve the issue. Politically or philosophically that would not happen.

Dr. Gertonson, State Veterinarian, stated the federal proposal involves a vaccination program and other components.

{Tape: 1; Side: B; Approx. Time Counter: 8 - 15}

CHAIRMAN PATTISON asked **SEN. NELSON** if she felt the legislature is doing an adequate job of funding the brucellosis program. **SEN. NELSON** replied that it involves more than funding, that other practices are needed.

REP. MUSGROVE asked what the optimum number of bison and elk is for the available range. **Marc Bridges** stated that the National Park Service set the population of bison in the Park at 3,000 head. The Department has no jurisdiction within the boundary of the Park.

SEN. TASH stated that it is a matter of coordination of funding. The intrusion of the Park bison threatens the brucellosis-free status of Montana, and it costs the state a lot of money to deal with the intrusion of bison from the biggest reservoir of brucellosis in the world.

SEN. BUTCHER asked what the DOL was looking at for sustainable populations of elk and bison. **Marc Bridges** replied that in mediation the Department had recommended 2,300 head total.

{Tape: 1; Side: B; Approx. Time Counter: 15 - 22}

REP. RIPLEY asked **Marc Bridges** if the \$50,000 allocated for a serious outbreak of brucellosis is adequate and what funding would be available from federal agencies. **Marc Bridges** replied that the funding would be used for producing-livestock situations, not the Park bison. Federal funding is used within the Park.

Bob Lee, Board of Livestock, spoke to the numbers of Park bison and brucellosis. More support is needed to assist with the eradication of brucellosis.

Doug Schmitz stated that prior to the federal funding, the DOL was using its per capita funding only to deal with the bison issue.

George Harris suggested that the Committee might want to remove the one time only funding designation.

CHAIRMAN PATTISON asked **SEN. NELSON** if she felt the one time only designation serves to draw more attention to the bison brucellosis issue. The designation will be discussed during executive action.

{Tape: 1; Side: B; Approx. Time Counter: 22 - 30}

George Harris addressed the Milk and Egg Inspection Programs, stating they are funded with special funds with some federal funding. The \$2,970 is a small increase in the base for out of state travel for the sanitarian to keep up with federal standards for inspection.

SEN. BUTCHER asked how many egg producers are in Montana. **Todd Gahagan, Administrator for Dairy and Inspection, DOL**, stated that the majority of egg producers are the 35 Hutterite colonies in the state. About 139 dairies operate in Montana. Production has gone up but the number of dairies is decreasing.

SEN. BUTCHER asked if Montana is getting anymore large dairy operations. **Todd Gahagan** stated that quotas make it difficult for operations to become established in Montana.

SEN. NELSON asked **Todd Gahagan** why the program should not be done away with. **Todd Gahagan** stated that Montana milk producers could not ship their product out of state if inspections were not done. Lack of quality and product control could impact public health. If there were not egg inspection, the product could not carry the USDA shield. The dairies in Montana vary in size from 500 head of cows down to about 40.

REP. RIPLEY inquired about federal inspections. **Todd Gahagan** replied that the inspection program has three tiers. No reimbursements are received from the federal government for inspections.

SEN. BUTCHER asked if there are environmental issues and complaints from neighbors causing egg producers to relocate. **Todd Gahagan** confirmed that was the situation with dairies.

{Tape: 2; Side: A; Approx. Time Counter: 1 - 10}

Director Bridges commented that the Department has four sanitarians in this program for milk and egg inspection.

CHAIRMAN PATTISON asked **Todd Gahagan** about license and inspection fees. The license fee is \$5 per year, and a grading processing plant pays a \$50 fee annually. The industry pays money into the program for inspections with no per visit fee. The egg inspectors are reimbursed on an hourly and mileage rate by federal funding.

George Harris stated that this program is primarily financed by the industry with a \$0.1497 per hundred weight levy on Class 1 Milk applied to the industry. The shell egg inspections funds are reimbursed by the federal government.

SEN. NELSON asked **Todd Gahagan** if the dairy in the Luster area was still waiting to come on line. **Todd Gahagan** stated that because of low milk prices, that plan had been put on hold.

{Tape: 2; Side: A; Approx. Time Counter: 10 - 15}

George Harris addressed the decision package for the Brands and Law Enforcement Division. The overtime is the actual amount expended in the base year. Montana has 46 brand inspectors in 14 markets. **Jack Wiseman** is the division administrator.

SEN. BUTCHER asked if overtime could be worked out through comp time. **Marc Bridges** stated that the Garcia Decision requires overtime to be paid unless the individual wants comp time.

SEN. BUTCHER asked if there was any way to mitigate overtime and downtime. **Marc Bridges** stated that part-time and/or temporary FTE's are used, but that cannot account for the overtime needs. Billings is the heaviest overtime area with two stock yards and many field inspections.

SEN. NELSON asked if the part-time brand inspectors are turning in their fees on a regular basis. **Marc Bridges** stated they most certainly are.

{Tape: 2; Side: A; Approx. Time Counter: 15 - 30}

Marc Bridges stated that the Department had asked USDA if State Special Revenue can be used to support state meat inspection program, if there any places at all in the inspection that State Special Revenue could be used, and if they would they consider a 60/40, 70/30 or 80/20 match. The response was "No," "No," and "No." The federal audit preempts the use of State Special Revenue or special user fees in the state meat inspection. The 50/50 match is not negotiable.

EXHIBIT(jnh04a01)

SEN. BUTCHER inquired if the small local kill plants have to have federal inspection. **Marc Bridges** said the state can inspect the kill plants if they market within the state.

Carol Ohlmsted, Bureau Chief of Meat and Poultry Inspection, stated inspection laws are varied. Ranch-kill slaughter is exempted. Plants would have inspection options depending on where they want to sell their product.

CHAIRMAN PATTISON asked for details on the meat slaughter and processing plants. **Carol Ohlmsted** stated the Department licenses all meat and poultry plants in the State of Montana. There are 39 federal facilities, 49 official state-inspected plants, 140

custom exempt plants, and 30 meat depot or storage plants that are inspected.

CHAIRMAN PATTISON asked if beef jerky plants would be inspected. **Carol Ohlmsted** explained that processed meat products are covered by other laws. **Marc Bridges** described the varied types of facilities inspected, listing their locations. The niche markets provide for added value for meat producers.

CHAIRMAN PATTISON asked how the facilities are charged for inspections. **Carol Ohlmsted** replied that the license fee is set in statute. The USDA prevents the application of a user fee.

{Tape: 2; Side: B; Approx. Time Counter: 0 - 15}

Doug Schmitz discussed the one-time-only status of the bison/brucellosis budgeting. He suggested that the Committee request the Department provide a brief summary on the program each time. This will help add emphasis to the situation.

Todd Younkin suggested the Committee come back tomorrow with a clear request of what they want the Department to provide.

SEN. BUTCHER inquired if there was any means of deriving revenue or advantage from the bison that are harvested. **Marc Bridges** stated that prior to federal involvement, the Department did recoup some monies. Within the management plan with the federal government, the meat and hides are being donated to Native American organizations, food banks, and senior citizen centers.

SEN. BUTCHER asked if the Prison canning facility could be used to prepare the meat for food banks and the like. **Todd Younkin** reported that the funding for the cannery may be cut. **Marc Bridges** stated the federal statute requires the meat to go to the Tribes.

SEN. SHEA suggested the issue be taken up with the Corrections Committee.

ADJOURNMENT

Adjournment: 11:30 A.M.

REP. JEFF PATTISON, Chairman

ELAINE OLSEN, Secretary

JP/EO

EXHIBIT (jnh04aad)